



# SUMMARY ANNUAL REPORT

For the Fiscal Year Ending December 31, 2021



*Helping you build a brighter tomorrow.*

# COUNTY EMPLOYEES' RETIREMENT FUND

## CERF Pension Plan Information

CERF Administrative Office  
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Jefferson City, MO 65101

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## COUNTY EMPLOYEES' RETIREMENT FUND 2021 Board of Trustees

**Mark Price** – *Chair*

**Ted Nichols** – *Vice Chair*

**Rita Milam** – *Secretary*

**Mark Collins** – *Board Member*

**Daniel Franks** – *Board Member*

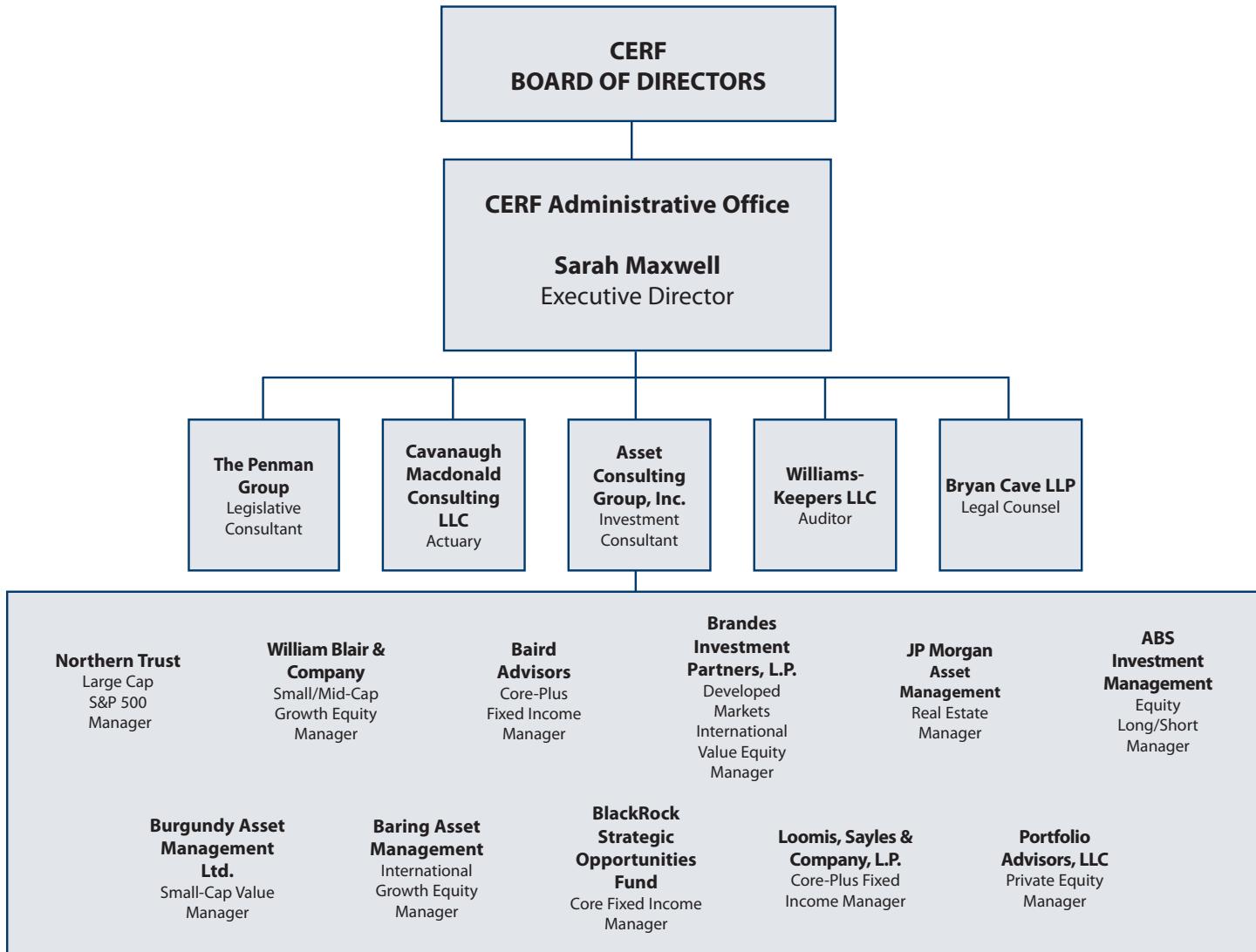
**Collin Follis** – *Board Member*

**Sandra Jung** – *Board Member*

**Jim Platt** – *Board Member*

**June Pitchford** – *Board Member*

# ADMINISTRATIVE STRUCTURE



*This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:*

*CERF Plan Administrator  
2121 Schotthill Woods Drive  
Jefferson City, MO 65101*

*The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.*

# CERF Pension Plan

<b>Eligibility</b>	Full-time employees (scheduled to work at least 1,000 hours a year) and elected and appointed county officials are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.
<b>Participation</b>	Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.
<b>Contributions</b>	House Bill 1455 requires all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.
<b>Vesting</b>	A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.
<b>Prior Service</b>	Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.
<b>Early Retirement</b>	Members have the option of retiring as early as age 55 (with eight years of continuous creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.
<b>Cost-of-Living Adjustment</b>	The Board may authorize a Cost-of-Living Adjustment (COLA) each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. COLAs will become effective on July 1 of each year.
<b>Survivor Benefits</b>	<p><b>ACTIVE EMPLOYEES:</b> If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000.</p> <p><b>NON-VESTED MEMBERS:</b> Senate Bill 625, effective August 28, 2012, allows a refund of contributions to the beneficiary(ies) of active members who die after December 31, 2002, and before becoming vested.</p> <p><b>MARRIED, VESTED MEMBERS:</b> If a vested participant dies before his or her pension begins, his or her surviving spouse can apply for a 50% spousal pension benefit.</p> <p><b>SINGLE, VESTED MEMBERS:</b> House Bill 795, effective August 28, 2004, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.</p> <p><b>RETIRED MEMBERS:</b> Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminated employment or retired on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.</p>

# CERF Savings Plan

<b>Eligibility</b>	A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.
<b>Automatic Contributions</b>	Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.
<b>Voluntary Contributions</b>	In 2021, participants may contribute up to the lesser of \$19,500, or 100% of their includable compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.
<b>Matching Contributions</b>	Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who contributed to the 457 Plan, earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county. The match will be deposited into the 401(a) component of member accounts as soon as administratively feasible after the plan year has ended.
<b>Vesting</b>	Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.
<b>Investment Options</b>	A broad range of investment options is available, including the option to pick individual funds or target date funds, or have your account managed for you.
<b>Making Changes</b>	Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either KeyTalk at 800-701-8255 or the website at <a href="http://www.empower-retirement.com">www.empower-retirement.com</a> . You will need to use your user ID and personal identification number (PIN) provided to you by Empower Retirement.
<b>Payment Options</b>	Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.
<b>Rollovers and Plan Transfers</b>	Members who have other qualified 457, 401(a) or 401(k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.
<b>Need More Information</b>	For more information on the CERF Savings Plan, please call the CERF Administrative Office.

# Investments

## CERF Investment Program Background and Portfolio Asset Allocation

The purpose of CERF's investment program is to provide long-term benefits to the plan's participants, by investing the pension fund assets in a manner that maximizes expected long-term results while reducing exposure to undue risk. CERF's Board of Directors maintains an Investment Policy which sets guideposts around the investment program, articulating the fund's goals, objectives, and prudent risk parameters. The CERF Board of Directors works closely with their investment consultant to oversee all aspects of the investment program, including investment policy design and review, asset allocation, and ongoing investment manager due diligence. The Board and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues, with interim meetings held as needed. Further, CERF's individual investment managers provide regular updates on their portfolios to the consultant and CERF's staff, including a formal update to the Board on a periodic basis.

Asset allocation is employed as the primary tool for managing the long-term risk and return objectives for CERF's investment portfolio. CERF's portfolio is well-diversified, with exposure to several different investment strategies (asset classes), sub-strategies and investment managers. Investments are continually monitored by the investment consultant and Board of Directors for appropriateness and alignment with stated investment objectives and guidelines. Assets are periodically rebalanced to keep the exposures to various investments within the stated ranges defined in the investment policy.

### Equity Portfolio Target: 65%

Equities provide for growth opportunities within the investment program. The equity allocation benefits from a diverse line-up of strategies including both domestic and foreign exposures ranging in capitalization from small to large, and in style orientation from value to growth. Additional diversification benefits are achieved through the inclusion of hedged and private equity investments.

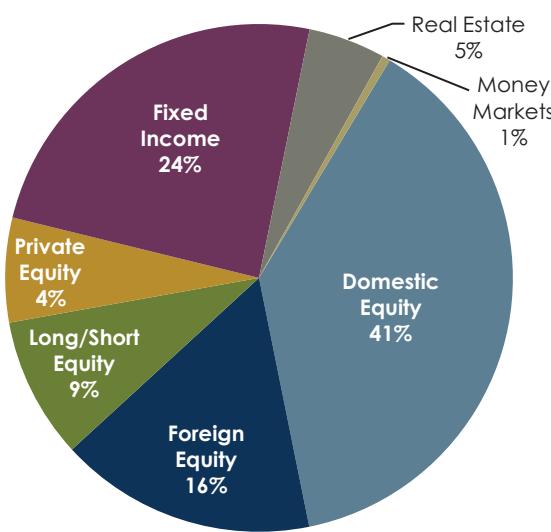
### Fixed Income Portfolio Target: 25%

Fixed Income strategies are included in the investment program to further enhance diversification, as over time, bonds are generally less volatile than stocks. Much like the equity allocations, the complementary fixed income strategies are designed to provide broad exposure to the global fixed income markets, including diversification by quality, sector, geography and security type.

### Real Asset Portfolio Target: 10%

Real assets typically behave differently than stocks and bonds, and their low correlation to these other asset classes provides even further diversification to the investment portfolio. CERF's portfolio includes an allocation to real estate through a diversified real estate fund. The real estate portfolio is invested in different geographic locations and different property types, while maintaining strict quality requirements for each property, including leverage and occupancy rates.

## Pension Fund Allocation as of 12/31/21



**Total Pension Fund Assets: \$761,051,000**

■ Domestic Equity      ■ Foreign Equity  
■ Long/Short Equity      ■ Private Equity  
■ Fixed Income      ■ Real Estate  
■ Real Estate      ■ Money Markets

## 2021 Market Environment

The world began 2021 amid a Covid wave, but with a brightening outlook as vaccines were starting to roll out. Reopening optimism, elevated consumer demand bolstered by fiscal stimulus, and accommodative central banks sustained strong global growth for the year. Other risk factors rose to prominence as the year went on, particularly inflation. Nearly every major economy experienced above-trend inflation in 2021 as pandemic shutdowns and labor shortages created problems for supply chains, commodity prices surged, and production couldn't keep up with high demand.

Global equities posted double-digit performance for the third year in a row with a nearly 20% advance in the MSCI ACWI contributing to the annualized three-year return of 21% at the end of 2021. Returns were strong in the first half of the year as vaccine distribution and reopening optimism drove cyclical stocks higher. Concerns over Covid variants, supply chain issues, labor shortages, and inflation drove market volatility later in the year, but many global indexes finished 2021 with mid-single digit returns in the month of December. US Equity returns favored Large Caps in 2021, with the S&P 500 doubling the return of the Russell 2000 Small Cap index. Developed International absolute performance was respectable in 2021, with the MSCI EAFE returning 11%. Emerging Markets finished negative, hurt by double-digit losses within Brazil and China.

# Investments

US monetary policy remained broadly accommodative throughout 2021 as the Federal Open Market Committee chose to keep the Fed Funds Rate within a target range of 0-0.25%. Credit spreads continued to tighten in 2021, primarily in the first half of the year, while the second half saw greater volatility arising from concerns over surges in new Covid variants and the potential impact of higher corporate borrowing costs. The BloomBar US Aggregate index declined 1.54% during the year.

## 2021 Portfolio Performance

CERF's investment portfolio for the fiscal year ended December 31, 2021, had a gain of 14.97% as calculated using a time-weighted rate of return methodology based upon fair values. The Plan's traditional Equity, Private Equity, and Real Assets exposure produced strong positive returns for the year, significantly offsetting the modestly negative returns in Fixed Income. The returns across asset classes were dispersed, illustrating the impact on asset allocation to help reduce the volatility of annual returns while focusing on the long-term performance objectives.

CERF's US Large Cap Equity portfolio had a gain of 30.03% compared to the equity benchmark of 28.71%. The US Small/Mid Cap Equity portfolio returned 21.10% compared to

the benchmark of 18.18%, Non-US Equity returned 11.06% compared to the benchmark of 11.78%, Global Equity had a return of 2.72% compared to the benchmark of 11.67%, and Private Equity returned 33.74% compared to the benchmark of 28.71%. Outperformance by the Large Cap Domestic Equity portfolio was two part. In the first part of the year, CERF benefitted from active management. During the second quarter, CERF transitioned the Large Cap portfolio to passive management allowing for lower fees while mirroring the S&P 500's strong performance. In Small Cap, both managers outperformed with the value manager delivering strong performance as value returned to favor. Non-US Equity trailed slightly behind the benchmark, yet still delivered a strong absolute return. The Global Equity Portfolio trailed its benchmark as the fund of funds faced headwinds resulting from being underweight strong-performing U.S. Mega Cap technology names, coupled with stock selection among the underlying growth-oriented managers.

CERF's Fixed Income portfolio returned -0.16%, compared to the Fixed Income benchmark of -1.54%. Outperformance for the year was mainly driven by the Fixed Income Managers' ability to seek return in opportunistic areas of the market during a rising interest rate environment. CERF's Real Assets portfolio returned 20.96%, compared to the real assets benchmark of 22.18%. Strong absolute returns for the year were mainly driven by the industrials sector.

These returns were calculated by CERF's investment consultant, Asset Consulting Group. The success of CERF's investment program is defined by its adherence to the Investment Policy guidelines, and its performance compared to the stated return objectives and risk parameters as we navigate different market environments over time. The charts below illustrate the plan's annualized performance and risk alongside the expectations laid out in the Policy. Notably, the CERF portfolio meets all stated relative long-term objectives, and has outperformed the median public pension fund peer group across all time frames illustrated.

### Total Pension Fund Performance

#### vs. Objectives

(December 31, 1994 – December 31, 2021)

	Benchmark	CERF
<b>Return Objectives</b>		
At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption on an ongoing basis.	7.25%	9.30%
The pension fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.43%	9.30%
The pension fund's total return should exceed the total return of an index composed as follows:		
65% MSCI ACWI Index	9.04%	9.30%
30% BloomBar US Aggregate Bond Index		
5% NFI ODCE Index		
<b>Risk Objective</b>		
The pension fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of the index noted above.	9.72%	9.58%

### Pension Fund Performance as of 12/31/21



# Actuarial

## PLAN MEMBERSHIP

AS OF JANUARY 1, 2022

Covered Payroll	\$492,172,734
Average Pay per Active Member	\$41,035

## ACTUARILY DETERMINED CONTRIBUTION (ADC)

Unfunded Actuarial Accrued Liability (UAAL)	\$169,561,170
Amortization of UAAL, with interest to mid-year*	\$ 21,685,748
Normal Cost, with interest to mid-year	\$ 30,692,974
Reduction in Normal Cost for Member Contributions	\$ 18,143,942
Annual Required Contributions as a percent of payroll	\$ 34,234,780 7.3%

## PLAN ASSETS

Actuarial Value	\$691,876,733
Market Value	\$769,149,721

## FUNDED STATUS

Entry Age Normal Actuarial Accrued Liability	\$861,437,903
Funded Ratios	
Funded Percentage on Actuarial Value of Assets	80%
Funded Percentage on Market Value of Assets	89%

\* Until July 1, 2011, the UAAL was being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995. As of July 1, 2011, the UAAL amortization was started fresh over a 20-year period. New components of the UAAL will be amortized over new 20-year periods as such components arise.

# Financial Statements

## STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2021

### ASSETS

Cash	\$ 4,479,261
Receivables:	
Member contributions	354,197
Member prior service contributions	117,005
County contributions	4,274,607
Other receivables	68,791
Accrued interest and dividends	<u>11,530</u>
Total receivables	4,826,130
Investments, at fair value:	
Common stocks	90,531,127
Fixed income mutual funds	185,490,245
Hedge funds	68,430,493
Domestic equity fund	194,925,780
International equities funds	124,491,329
Real estate fund	33,493,265
Private equity	54,034,578
Cash equivalents	<u>9,367,463</u>
Total investments	760,764,280
Capital assets, net of accumulated depreciation of \$2,747,312	<u>4,718,855</u>
Total assets	<u>774,788,526</u>

### LIABILITIES

Accounts payable	653,647
Accrued defined contribution plan funding	4,335,081
Other accrued expenses	278,181
Unearned revenue	362,305
Payable for pending investment purchases	<u>9,591</u>
Total liabilities	<u>5,638,805</u>
Net position – restricted for pension benefits	<u>\$ 769,149,721</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

# Financial Statements

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2021

### ADDITIONS:

#### Contributions:

County receipts	\$ 35,587,161
By members	15,942,275
For members, paid by counties	2,890,369
Members, purchase of prior service	<u>62,152</u>
 Total contributions	 <u>54,481,957</u>

#### Investment income:

##### Investing activities:

Net appreciation in fair value of investments	94,730,199
Fixed income securities	5,208,796
Equity securities	4,872,431
Other miscellaneous income	<u>152,750</u>
 Total investment income	 <u>104,964,176</u>
Investment expenses	<u>(3,243,143)</u>
 Total net investment income	 <u>101,721,033</u>

#### Other income

 Total additions	 <u>156,209,021</u>
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### DEDUCTIONS:

Benefits	42,193,421
Refunds of member contributions	5,424,529
Defined contribution plan matching contribution	4,335,081
Administrative expense	<u>3,304,645</u>
 Total deductions	 <u>55,257,676</u>

#### Net increase

 Net increase	 100,951,345
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#### Net position – restricted for pension benefits

Beginning of year	<u>668,198,376</u>
End of year	<u>\$ 769,149,721</u>

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# CERF Quick Facts

Data as of December 31, 2021

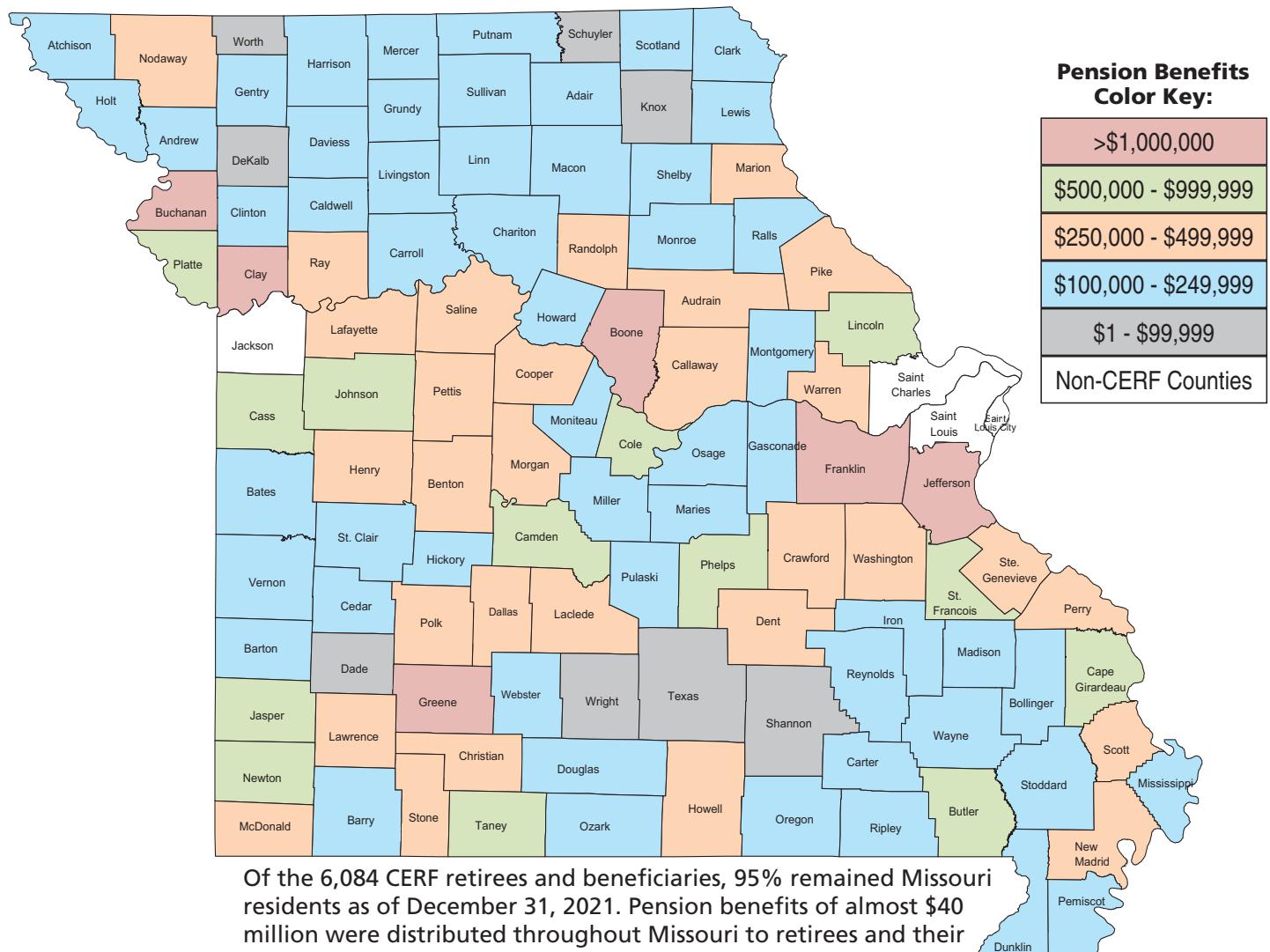
## How Benefits Are Funded

Historically, approximately 50% of retirement benefits have been funded by investment returns with the remainder coming from a combination of county fees and contributions.

## Funding for Benefit Payments by Source

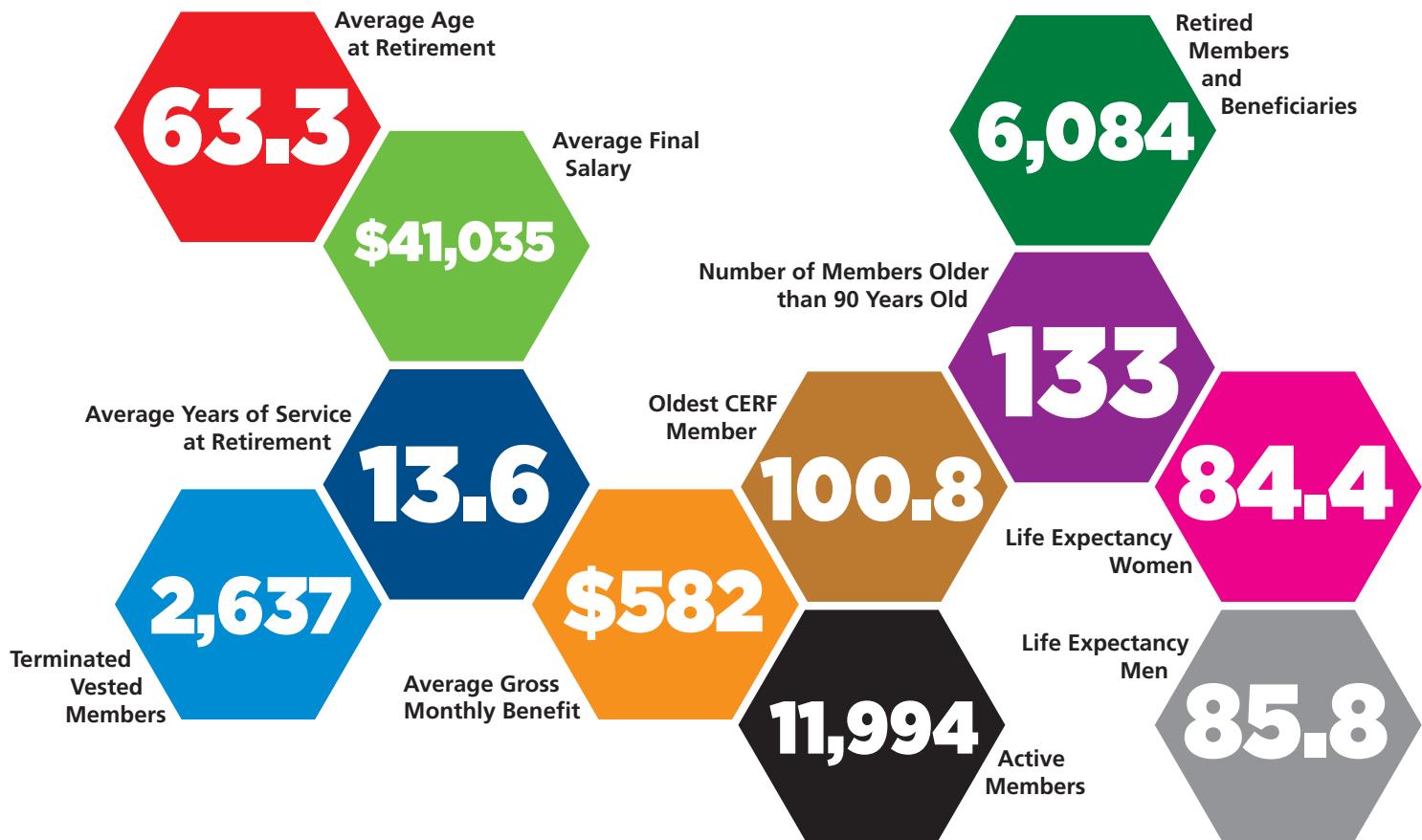


## 2021 Retiree and Beneficiary Payouts by County



# CERF Quick Facts

Data as of December 31, 2021



## Summary of County Receipts for 2021

